

MR. GERLACH

When was the last time, if you know, this competitive bidding process was used for a knee brace product in the program so that that would have been the basis to set this new brace price at \$690?

DR. BUDETTI

We agree that Medicare pays above market cost for many items of durable medical equipment, prosthetics, orthotics, and supplies (DMEPOS) due to the payment rules in effect and mandated by the statute since 1989. To correct these overpayments, the DMEPOS competitive bidding program is being phased in beginning with the highest cost, highest volume items. Off-the-shelf orthotics (or braces) are not currently covered under the competitive bidding program. However, other priority items, such as oxygen equipment and power wheelchairs that account for even more in annual allowed charges – over 6 billion are being phased in under the program. We are happy to report that contracts and savings are currently in effect for these items in 9 metropolitan areas and we are mandated to expand the program to 91 additional areas this year.

Competitive bidding uses market forces to lower Medicare payments by requiring suppliers to bid against each other and win Medicare contracts based on their costs for furnishing items and services to Medicare beneficiaries. Contract suppliers must meet all of the current Medicare supplier eligibility requirements such as mandatory submission of claims, quality standards and accreditation, and surety bonds, in order to be eligible for a contract award under the program. At the end of the day, the program will use market forces to lower Medicare payment amounts for quality items and services that Medicare beneficiaries need.

Medicare allowed fee schedule payment amounts for DMEPOS items and services, including braces, are established in accordance with the exclusive payment rules mandated by the statute. Unless a change is made to the statute to require or authorize us to establish a different allowed amount for an item, this exclusive rule in the statute must be adhered to in accordance with Federal law. We agree that flexibilities such as competitive bidding should be available under the program to rein in overpayments such as the one you highlight.